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Funding commitments

Status of regular funding commitments to UNDP and its associated funds and programmes for 2008 and onward*

Summary

In decision 98/23, the Executive Board designated its second regular session each year, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. In line with that decision, and building on the approach taken in that context, the present report presents the status of regular funding commitments for 2008 and onward, and a summary of the provisional income for regular and other resources received in 2007.

Elements of a decision

The Executive Board may wish to note that after exceeding the annual targets for 2004 and 2005, but missing the annual target for 2006, UNDP has been able to meet the fourth and overall (2007) annual funding target of its second multi-year funding framework (MYFF), covering the period 2004-2007.

The Executive Board may wish to underscore the vital importance of maintaining the 2007 level of regular resources in 2008, so as to enable UNDP to meet the first annual funding target outlined in the integrated resources framework of the strategic plan, 2008-2011.

In doing so, the Executive Board may wish to recall General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system; to reiterate that regular resources form the bedrock of UNDP finances; and to request all countries that have not yet done so to provide contributions to regular resources for 2008.

The Executive Board may wish to stress the importance of a stable, predictable base of regular resources and encourage Member States to announce pledges, on a multi-year basis if feasible, and payment schedules for the new planning cycle covering the period 2008-2011, and to adhere to such pledges and payment schedules thereafter.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. Introduction

1. Contributions to regular ('core') resources reached close to $1.12 billion in 2007, in nominal terms, and exceeded the final and overall target set by the MYFF, 2004-2007. The significant increase from the $924 million gross regular income reached in 2006 to the 2007 level of $1.12 billion resulted from volume increases in regular contributions in nominal local currency terms; exchange rate gains; and full payment of the pledges made by Member States.

2. Total contributions to UNDP and its associated funds and programmes reached almost $5.2 billion in 2007, with other ('non-core') income reaching nearly $4 billion. Other (earmarked) contributions to UNDP from bilateral donor governments, mostly from OECD-DAC member states, increased from $1 billion in 2006 to $1.1 billion in 2007. Other resources entrusted to UNDP by non-bilateral and multilateral partners, such as the European Commission, Global Fund to Fight Aids, Tuberculosis and Malaria, and the World Bank, remained approximately at the 2006 level of $1.2 billion. Local resources, channeled through UNDP by programme country governments and other local partners in support of their own national development, decreased from almost $1.4 billion in 2006 to just below $1.3 billion in 2007. This overall, largely unchanged level of other resources demonstrates that UNDP continues to be called upon to support governments to obtain, direct and manage different types of funding in accordance with national priorities.

3. Other ('non-core') resources represent an important complement to the regular (un-earmarked) resource base of UNDP. However, the ratio of core income to non-core income remains at approximately 1:4, despite the 2007 growth in core income. The ability of UNDP to fulfil its mandate and deliver effective capacity-building support for development, including with the help of earmarked funding, critically depends on a level of core funding sufficient to enable UNDP to pursue flexible, integrated management approaches focused on long-term effectiveness and sustainability. As stressed in General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system, and outlined in the integrated resources framework of the strategic plan, 2008-2011, approved by the Executive Board in its decision 2007/32, UNDP strives to rebalance the ratio between regular and other resources.

4. Within the integrated financial resources framework of the strategic plan approved by the Executive Board in its decision 2007/32, UNDP resource projections for the period 2008-2011 amount to $20.6 billion, or an average of $5.15 billion a year, ranging from $5 billion in 2008 to $5.3 billion in 2011. This overall resource projection underscores the intent to sustain the overall income levels achieved in 2005, 2006 and 2007, while prioritizing the necessary increases in regular resources to ensure the multilateral, universal and connecting work of the organization, as well as the overall goal of strengthening support to the achievement of the Millennium Development Goals at the country level.

5. Against this background, contributions to regular resources are projected to reach $5.3 billion over the four year period 2008-2011 in nominal terms: $1.1 billion in 2008; $1.25 billion in 2009; $1.4 billion in 2010 and $1.55 billion in 2011. The average annual target is derived from a comprehensive examination of regular resources requirements in the Executive Board-approved country programme documents, as well as from the requisite biennial support budget projections. The estimate of total programmatic demand for regular resources was adjusted in line with the stated objectives and priorities of the strategic plan, including the strengthening of results areas of UNDP comparative advantage and added value, and the phasing out of areas where those qualities are not present.

Projections relating to the other resource components as reflected in the integrated resources framework mirror these objectives and priorities and underpin the ambition to gradually rebalance the regular to other resources ratio.

II. Background

6. In its decisions 98/23, 99/1 and 99/23, reaffirmed in decisions 2002/9, 2002/18, 2003/24, 2004/14, 2005/20, 2006/24 and 2007/17, the Executive Board put in place a funding system for UNDP designed to foster a continuous, transparent dialogue on regular funding, to facilitate the mobilization of adequate regular resources, and to enhance predictability. Within that framework, the Board adopted an annual funding target of $1.1 billion by 2007 and stressed the urgent need to achieve annual increases to meet the target.

7. The MYFF, 2004-2007, endorsed by the Board in its decision 2003/24, reaffirmed the critical importance of securing an adequate level of regular resources. As reflected in the first and second annual reports on the MYFF (DP/2005/16 and DP/2006/18, respectively), and welcomed by the Executive Board in decisions 2005/23 and 2006/24, the gross regular resource income achieved in 2004 and 2005 exceeded the respective annual MYFF targets. In decision 2007/17, the Executive Board noted with concern that after exceeding the annual targets for 2004 and 2005, UNDP had not been able to meet the third (2006) annual MYFF target. In the same decision, the Executive Board noted with appreciation that UNDP projections for 2007, as reflected in DP/2007/18, suggested that meeting the overall multi-year funding framework target by 2007 was within reach.

8. In its decision 2007/32, the Executive Board approved the integrated financial resources framework of the strategic plan covering the planning cycle 2008-2011 and replacing the funding framework and targets embedded in the MYFF, 2004-2007. The integrated financial resources framework represents the overall funding target for the strategic plan, encompassing both regular and other resources.

9. ***The United Nations Capital Development Fund (UNCDF).*** Using its investment mandate in innovative ways, combined with a substantive in-house technical expertise, UNCDF has a strong track record in (a) decentralization and local development and (b) inclusive finance -- two practice areas of high relevance for achieving the Millennium Development Goals. The UNCDF business plan, 2005-2007, and the UNDP strategic plan, 2008-2011, underscore the strategic importance of the UNCDF investment mandate and its focus on the least developed countries. In 2007, UNCDF fully its targeted programmatic results and its objective of expanding geographically towards covering 45 least developed countries by 2011 (DP/2008/33). However, to reach its programmatic objectives for the period 2008-2011, UNCDF will require an increase of approximately $10 million per year in regular resources, over and above the level of contributions received in 2007. In view of its continued strong performance, as illustrated by external evaluations of UNCDF programmes carried out in 2007, as well as the high score it received in the 2007 Consultative Group to Assist the Poorest microfinance donor agency rating (SmartAid for Microfinance Index), UNCDF is confident that this can be achieved.

10. ***The United Nations Development Fund for Women (UNIFEM).*** The UNIFEM strategic plan, 2008-2011, has been crafted at a watershed moment in United Nations support for gender equality and women's empowerment. United Nations leadership has expressed endorsement for enhancing the

coherence, authority, status and resources of the entities that provide technical support for gender equality in the United Nations system. Member States are debating the guidance that they will provide on strengthening the architecture that supports gender equality in the context of United Nations reform. Without pre-empting the guidance from Member States, UNIFEM has devised a strategic plan that enables it to move forward in implementing its core business: supporting countries to advance gender equality and women's empowerment in line with their national priorities. Linking normative commitments to operational realities will be a primary contribution of UNIFEM to demonstrating the 'how-to' of achieving gender equality at the country level, to greater synergy and coherence in the United Nations work, and, ultimately, to the achievement of the Millennium Development Goals by 2015.

11. ***The United Nations Volunteers (UNV) programme*** promotes and advocates for volunteerism as a development concept. Its three main areas of work, namely, mobilizing volunteers for development and peace; integrating volunteerism into the development programming of partner United Nations entities and governments; and scaling up global advocacy for volunteerism for development, are now contained in a results framework that is aligned to the UNDP strategic plan, 2008-2011. The UNV programme makes distinctive contributions – access to services and service delivery; inclusion and participation; and community mobilization through voluntary action – to United Nations system-wide efforts towards achieving the Millennium Development Goals. In 2007, more than 7,500 professionally qualified, experienced and committed women and men from 162 countries served as UNV volunteers in 139 countries. Seventy-seven per cent of the volunteers were nationals of developing countries, reaffirming the UNV programme as a concrete expression of South-South cooperation. In financial terms, the magnitude of the programme surpassed $192 million. Of this, some 3 per cent was financed from the Special Voluntary Fund.

III. Preparatory process

12. In early May 2008, the Executive Board secretariat wrote to all States members of UNDP to outline the preparatory process for the 2008 annual funding meeting. In line with Executive Board decisions 98/23 and 99/1, reaffirmed in decisions 99/23, 2000/1, 2002/9, 2004/14, 2005/23, 2006/24 and 2007/17, members of the Programme were requested to communicate their voluntary contributions to UNDP and its associated funds and programmes, and were encouraged to provide multi-year pledges and fixed payment schedules.

13. As of the time of preparing the present report, 20 countries had already indicated their 2008 pledges. However, a number of Member States were not yet in a position convey their pledges. Tables 1 and 2 in the statistical addendum to the present report – available on the Executive Board web page – are based on the information received and on the best estimates of the secretariat in respect of 2007 contributions. Table 3 provides information on government in-kind contributions. It is important to bear in mind that all 2007 figures are provisional and subject to modification upon confirmation of actual income figures for the year.

IV. Volume

A. UNDP regular resources

14. Following five consecutive years of increases in UNDP regular resources since 2001, when resources increased for the first time after seven years of steady decline, UNDP regular resources remained at the 2005 level in 2006, and increased again in 2007. Provisional data show that contributions to regular resources for 2007 reached $1.116 billion, with Norway, the Netherlands, Sweden, the United Kingdom and the United States, in that order, being the five largest donors in absolute dollars terms. In 2008, current projections suggest that most donors will either maintain or increase their contributions. Based on official United Nations exchange rates as of 1 May 2008, contributions are expected again to exceed $1.1 billion. However, there is no room for complacency given that some donors have announced reductions in their contributions to UNDP regular resources, while others had not yet indicated the level of their contribution at the time of writing this report.

15. Fourteen members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) increased their contributions to regular resources in 2007, many now for the fifth consecutive year. Spain doubled its contribution again in 2007, having already done so in 2006. Three donors – Germany, Ireland and Luxembourg - increased by 20 per cent or more. Another four donors – Australia, France, Norway and the United Kingdom – increased by 10 per cent or more. The two OECD/DAC donors unable to fulfill their commitment towards the core budget in 2006 were able to resume their contributions in 2007. Eight OECD/DAC donors – Austria, Finland, France, Ireland, Luxembourg, Spain, Sweden and the United Kingdom – increased their contributions annually over the period of the MYFF, 2004-2007; the United Kingdom made a four-year commitment at the beginning of the MYFF cycle with annual step increases. Exchange rate fluctuations had a positive effect on UNDP core income, accounting for approximately 35 per cent of the increased contributions in regular income in 2007.

16. The political commitment of Member States to an enhanced regular resource base for UNDP is reflected in the fact that 37 programme countries made contributions to the regular resources of the organization in 2007, including 21 that increased or resumed contributions, often despite considerable internal constraints. In 2006, 33 programme countries made contributions to regular resources, with 12 increasing or resuming contributions. Eight programme countries – China, India, Kuwait, Mexico, the Republic of Korea[1], the Russian Federation, Saudi Arabia[1], and Turkey – contributed $1 million or more to UNDP regular resources in 2007.

17. Historical and projected income figures for UNDP are expressed traditionally in nominal terms (that is, dollars at current values) and cannot capture the variation in the real value of UNDP income resulting from both inflation and exchange rate variations. While core income expressed in nominal terms has increased by 32.7 per cent between 2004 and 2007, real core income adjusted for both inflation and the performance of the dollar vis-à-vis other currencies grew by 16.8 per cent during the period. The funding base of UNDP remains exposed to exchange rate

[1] Contribution to 2007 regular resources received in January 2008

fluctuations. Reducing this vulnerability and mobilizing an adequate and predictable level of regular resources is a top priority.

18. In many of its decisions, the Executive Board has recognized that the ability of UNDP to fulfil its mandate and to preserve its multilateral, impartial and universal character depends on its having an adequate and secure regular funding base. The issue of restoring growth and enhancing predictability to the regular funding of United Nations development activities has been discussed widely, including in the context of the most recent triennial comprehensive policy reviews and General Assembly resolutions 56/201, 59/250 and 62/208.

B. UNDP other resources

19. Provisional data show that non-core resource contributions to UNDP reached $4 billion. Bilateral contributions from OECD/DAC donor governments amounted to $1.081 billion, an increase of 10 per cent compared to 2006. Many donor governments, including virtually all OECD/DAC donors, are active in co-financing UNDP programmes. Non-core resources entrusted to UNDP by non-bilateral partners and multilateral funds – such as the European Commission, the Global Environment Facility and the Global Fund to Fight Aids, Tuberculosis and Malaria – reached $1.188 billion, almost exactly the same level as in 2006. Local resources, channelled through UNDP by programme country governments and other local partners in support of their own national development, amounted to $1.285 billion, a decrease of five per cent compared to 2006. Non-core resources are earmarked to specific themes, programmes and activities, and represent a critical complement to the regular resource base of UNDP.

20. General Assembly resolution 62/208 stresses that core resources, because of their untied nature, continue to be the bedrock of the operational activities for development of the United Nations system, and in this regard notes with concern that the share of core contributions to United Nations funds and programmes has declined in recent years, and recognizes the need for organizations to address the imbalance between core and non-core resources on a continuous basis. For UNDP, the Executive Board noted in its decision 2007/26 that earmarked resources have continued to far exceed regular resources, and that this affects the ability of UNDP to fulfill its mandate adequately and to effectively support the development agenda of partner countries; and that un-earmarked contributions are vital for the coherence and harmonization of operational activities for development.

21. ***UNCDF.*** Contributions to UNCDF regular and other resources increased by nearly 30 per cent in 2007 – from $22.0 million in 2006 to $28.4 million in 2007. Contributions to regular resources increased from $13.9 million in 2006 to $15.5 million in 2007, a nominal increase of 12 per cent, as a result of increased contributions from existing donors as well as from donors that had not previously supported UNCDF. Contributions to other resources increased in nominal dollar terms by nearly 60 per cent, from $8.1 million to $12.9 million. Projections for 2008 indicate that those upward trends will continue, and total contributions to UNCDF are expected to reach $39 million in 2008. Despite its strong performance record, UNCDF was not able to reach its 2007 regular resources target of $18.5 million. In its decision 2007/34, the Executive Board requested UNDP to provide UNCDF, on an exceptional basis, with the amount of $6 million for 2008, and to increase efforts to work with UNCDF to achieve stable programme resources by supporting joint programmes with UNCDF at country, regional and global levels.

22. ***UNIFEM.*** Under its previous MYFF (2004-2007), UNIFEM total resources increased 140 per cent in nominal dollar terms, from $49.2 million in 2004 to

$118.3 million in 2007. UNIFEM raised a total of $278.7 million over the four years, against a projected $121.3 million anticipated in the MYFF. The increase was largely due to the expansion of non-core resources, from $25.9 million in 2004 to $74.5 in 2007. At the same time, core resources almost doubled in nominal terms, moving from $23.2 million in 2004 to $43.8 million in 2007. Looking forward, The UNIFEM strategic plan, 2008-2011, projects a total resource target of $405.9 million, comprised of $258.4 from regular core resources and $147.5 million from non-core resources. UNIFEM has developed a strong resource mobilization strategy to enable the Fund to achieve the results outlined in the strategic plan and to advance gender equality and women's empowerment worldwide in the context of the Millennium Development Goals. As the demand for UNIFEM technical assistance, gender expertise and policy advocacy continues to grow, it is vital that it receive the funding necessary to realize its mandate.

23. ***UNV.*** The importance of the Special Voluntary Fund, as the primary means through which UNV can continuously develop innovative approaches to maximize the relevance and effectiveness of its work, cannot be overemphasized. The Special Voluntary Fund, although small, enables UNV to test ways in which domestic and international volunteerism can best be harnessed as a strategic force in support of the Millennium Development Goals. By mobilizing an increasingly broad range of volunteers for development and peace, extending the integration of volunteerism into development programming and scaling up its global advocacy work, the contribution of UNV towards achieving the goals will be maximized. Contributions to the UNV Special Voluntary Fund reached $6.8 million in nominal terms in 2007. While there has been a significant increase since 2006, the 2007 contribution to the Special Voluntary Fund is still below the optimal level of $10 million per annum endorsed by the Executive Board in June 2004.

V. Predictability

24. As reflected in General Assembly resolutions 59/250 and 62/208 on the triennial comprehensive policy reviews of operational activities for development of the United Nations system, and as reflected for UNDP in Executive Board decision 98/23 and reaffirmed regularly in decisions 99/1, 99/23, 2002/9, 2004/29, 2005/23, 2006/24 and 2007/17, Member States are encouraged to contribute on a multi-year basis, in a sustained and predictable manner. At the time of writing the present report, 46 countries had made indicative pledges for 2008, including most OECD/DAC donors and 28 programme countries. However, no formal multi-year pledges covering the full period of the strategic plan, 2008-2011, have yet been made. As the organization is entering the new planning cycle, it is of the utmost importance that donors commit to new multi-year pledges to ensure the predictability of resource flows beyond 2008 and to allow the organization to meet the resources targets reflected in the integrated resources framework of the strategic plan, approved by the Executive Board in its decision 2007/32. Members that are unable to provide a multi-year pledge formally, because of national legislative and other restrictions, are strongly encouraged to provide indicative amounts for the forthcoming years.

25. The Executive Board determined in its decision 98/23 that the predictability of core resources could be further enhanced if States members of the Programme announced specific payment schedules, with early payment encouraged. In paragraph 12(b)(iii) of decision 98/23, the Board decided, inter alia, to review at the funding meeting the timing of payments made in the previous calendar year. In 2007, nine donors provided fixed payment schedules, compared to 11donors in 2006 and the three preceding years; 14 in 2002; and 15 in 2000. However, of those

donors that provided payment schedules, many did not pay according to their schedule. By July 2007, 56 per cent of estimated gross income had been received, compared with 63 per cent in 2006 and 54 per cent in 2000. Although a number of donors delayed payment of significant proportions of their pledges in the last quarter, the operational reserves did not have to be used.

26. Table 3 in the statistical addendum provided in conjunction with this document (available on the Executive Board web page) includes a payment schedule for 2008 contributions communicated to the Executive Board secretariat at the time of writing the present report. The secretariat notes with appreciation the efforts to date of those donors that communicated payment schedules, as well as the efforts made by those donor governments that paid their contributions early and in full. Member States that have not already done so are strongly encouraged to inform the secretariat of their intended payment schedules, including, where possible, early payment. All members are encouraged to adhere to their respective schedules in terms of the currency and timing of payments.

VI. Reducing overdependence on a limited number of donors

27. In its decisions 98/23 and 99/1, the Executive Board recognized that overdependence on a limited number of donors carries risks for the long-term financial sustainability of UNDP. Accordingly, it urged all donors and programme countries in a position to do so – most recently in its decision 2005/23 – to increase their contributions to regular resources. It is estimated that the top 10 donors to UNDP will provide close to 80 per cent of the total 2008 regular resources of UNDP. In 2000, the top 10 donors accounted for 86 per cent of total contributions to regular resources. With the aim of reducing overdependence and broadening the donor base, the Administrator has continued to reach out systematically to donors and programme countries to build commitment for common action in order to ensure that the resource base of the organization reaches agreed target levels.

28. Many programme countries contribute to reducing overdependence by providing UNDP with: (a) contributions to regular resources; (b) government cash contributions towards local office costs; and (c) government in-kind contributions, e.g., the provision of rent-free office premises, in addition to substantial resources to UNDP programmes in their respective countries. The total amount of regular resource contributions from programme countries, after the application of the accounting linkage to government contributions towards local office costs, amounted to approximately $14.4 million in 2007. Six programme countries contributed $1 million or more.

29. ***UNCDF*** efforts to expand its donor base and improve burden-sharing continued to show positive results in 2007, with two new donors contributing to UNCDF core resources. However, further efforts are required. Against this background, UNCDF has intensified its consultations with donor countries with a view to broadening its donor base and allowing it to achieve an appropriate level of predictable regular resources contributions for its investment activities in the least developed countries during the strategic plan period. Efforts are being made to mobilize other resources through private sector partnerships.

30. ***UNIFEM.*** Efforts to diversify and increase UNIFEM other ('non-core') resources continued to show positive results. UNIFEM is also seeing results from efforts to mobilize resources locally and through private-sector partnerships. UNIFEM is implementing its '100/100' strategy: $100 million for the regular budget from 100 government donors by 2011, the final year of the strategic plan.

VII. Conclusions

31. The increase in regular resources since 2001; the fact that UNDP exceeded the final and overall target set by the MYFF, 2004-2007, in nominal terms; and the high level of other ('non-core') resources entrusted to the organization over the past several years give a clear indication of the political support extended to UNDP by its States members and of their high expectations of the organization. If the organization is to play its full role, realizing its multilateral development mandate and achieving the programmatic objectives agreed by the Executive Board and reflected in the strategic plan, 2008-2011, it is of critical importance to secure an adequate, stable and predictable base of regular resources and to rebalance the ratio of regular and other resources. The integrated resources framework of the strategic plan, as approved by the Board in its decision 2007/32, sets the direction of the organization in this respect and requires the full support of Member States if the prescribed targets are to be achieved. UNDP remains committed to working with all its partners to ensure the most effective use of the resources entrusted to UNDP.

32. The ability of UNDP to deliver effective capacity-building support for development, including with the help of earmarked funding, depends critically on a level of core funding that supports flexible, integrated management approaches focused on long-term effectiveness. Development is a long-term challenge that requires strategic focus coupled with tactical flexibility and an ability to respond to both crises and opportunities. This is what UNDP aims to achieve with the help and support of its partners.